

Lasers in medicine: Laserscope acquires InnovaQuartz

Laserscope acquires InnovaQuartz Laserscope, the San Jose based minimally-invasive medical device specialist whose product line includes including medical lasers and advanced fibre optic delivery devices, has acquired InnovaQuartz, Inc., of Phoenix, AZ, USA.

Founded in 1991, InnovaQuartz, a privately held company, is a leading developer, vertically-integrated manufacturer and commercial supplier of advanced medical devices for multiple medical procedures including those used in the treatment of kidney, bladder, and other urinary stones. InnovaQuartz's medical devices include fibre optics, sterile fibre optic delivery devices, optical components and optical subassemblies.

Laserscope acquired all of the capital stock of InnovaQuartz for approximately \$7.5 m in cash, the assumption of approximately \$1.1 m in debt and future cash payments contingent on the financial performance of IQ over approximately three years.

Eric Reuter, President and CEO of Laserscope said, "The acquisition of IQ is exciting for Laserscope for three important strategic reasons.

The first is that the addition of IQ's newest fiber optic product line provides us an immediate entry with leading technology into another important urological market – the intracorporeal treatment of kidney, bladder, and other urinary stones that use holmium laser technology.

Entry into this large, growth market is consistent with our strategy to become a complete player in the field of urology, and the treatment of stones is one of the highest volume urological surgical procedures in the U.S. outside of the treatment of benign prostatic hyperplasia.

"IQ's new line of stone fibres incorporates patented technology and know-how which provides for superior flexibility and strength. Going forward, the IQ products will be sold through our US and international urology distribution channels for use with Laserscope's own StoneLight holmium laser as well as for use with many of the substantial worldwide installed base of other holmium lasers.

"Additionally, we expect to maintain certain of IQ's key distribution and OEM relationships. IQ's licensed technology and vertical manufacturing expertise bolsters Laserscope's leading position in the design and manufacture of disposable fibre optic delivery devices for high volume procedures in urology. We expect that IQ fibre optic product line revenues can be grown substantially over the next several years as the IQ fibre optic product line gains recognition as the standard for treating stones with holmium laser technology.

"We intend to pursue an aggressive marketing and sales strategy for bringing these products to the large existing installed base of holmium lasers worldwide.

"The second reason that this acquisition is so important is that it serves a key operational objective which is the swift realization of savings in fibre materials costs for our main fibre optic product line, the GreenLight PV delivery device. Since 2002, IQ has been a reliable, high quality supplier of a key component of Laserscope's GreenLight PV fibre optic delivery device used for the treatment of BPH. We therefore expect the acquisition will enable us to realize an immediate reduction in the cost of goods of our single use products and we anticipate that IQ's manufacturing and design capabilities will contribute further reductions in the costs of our fibre optic disposable products in the future.

"Thirdly, IQ's R&D expertise and focus in specialty assemblies and components and rapid prototyping will support Laserscope's existing R&D efforts to develop new, technologically superior and lower cost fibre optic medical devices. The benefits we expect to realize through the addition of InnovaQuartz's expertise fully support Laserscope's long term fibre optic strategy to become the world's leading provider of competitively priced and high quality medical fibre optic technology for high volume medical procedures."

According to industry sources, the total market size for holmium laser capital equipment and disposable and reusable delivery devices for these procedures exceeds \$50 m per

year in the U.S. There are several thousand holmium stone treatment lasers already installed worldwide and over 300 holmium lasers are expected to be sold and installed in the U.S. each year through 2008. Over 50,000 holmium laser fibre optic delivery devices are sold each year in the U.S. typically at prices ranging between \$300 and \$500/fibre. IQ's new fibre optic product line can be used on many if not most of the worldwide installed base of holmium laser systems. Given the technological superiority and competitive price of these products over other methods of performing intracorporeal lithotripsy, this translates to an immediate market opportunity.

For more details, visit:

Web: www.laserscope.com

Ovum says annual opto trend remains positive

According to newly-published market research, opto components sales grew 11% in 2005. This was down 1% for 4Q05 with JDSU remaining the market leader. However, Finisar is ahead on grounds of profitability amongst the publicly traded companies; reporting its second consecutive profitable quarter.

Ovum-RHK's new analysis of fourth-quarter and full-year 2005 results for opto components vendors sees global sales falling slightly in 4Q05, declining by 1% sequentially to \$754 m.

Nevertheless, the overall annual trend remains positive, with an 11% revenue gain for full-year 2005 to \$2.92 bn. JDSU stays at the top in terms of market share, with Finisar and Sumitomo in second and third,

respectively. Rounding out the top five are Avago (formerly Agilent Fiber Optics Product Division) and Bookham.

In 4Q05, gross margins for nine publicly traded OC suppliers improved to 29%, a 9-point jump from 3Q05.

"Components suppliers are happily supplying arms to all equipment vendors engaged in the network build-out to support IP and video services," said Dr. Daryl Inniss, Vice President, Optical Components at Ovum-RHK. "Growth is coming from all segments, including carrier metro, long-haul and access networks, MSOs, and enterprise. Component vendors best equipped to meet the demand stand to grow and increase market share."

For more details, visit: www.ovum.com